

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 1552

January 16, 2020

SUMMARY OF BILL: Entitles homeowners with a disability, or homeowners who have an immediate family member with a disability to file for a refund of the state and local sales tax, of up to \$2,500, paid for eligible purchases for the purpose of improving the disability accessibility at the disabled person's principal residence.

ESTIMATED FISCAL IMPACT:

**Increase State Expenditures – \$8,667,400/FY20-21
\$5,791,500/FY21-22 and Subsequent Years**

Assumptions:

- For purposes of promulgating rules and forms, the proposed legislation shall take effect upon becoming law. For all other purposes, the proposed legislation shall take effect January 1, 2021, and shall apply to eligible purchases made on or after January 1, 2020.
- Due to purchases being eligible for refund beginning in January 2020 and throughout all of FY20-21 there will be a one and a half year impact in FY20-21.
- According to the United States Census Bureau, the population of Tennessee in July of 2019 was 6,829,174. According to the Center for Disease Control (CDC), 29.5 percent of adults in Tennessee have some type of disability. Assuming that the similar percentage is applicable for the entire Tennessee population, the total number of disabled people in Tennessee is estimated to be 2,014,606 (6,829,174 x 29.5%).
- The proposed legislation lists purchases related to multiple remodeling improvements of a claimant's principal residence for the purpose of improving accessibility and specifies that the total amount refunded to a claimant must not exceed \$2,500 in a calendar year.
- It is assumed that the remodeling described in the proposed legislation would be predominantly relevant to disabled persons in wheelchairs, scooters, and similar devices.
- Based on information from the United States Department of Transportation, 20 percent of disabled persons use wheelchairs, scooters, and similar devices. It is assumed that only 10 percent of this population, or 40,292 individuals, (2,014,606 x 20% x 10%) would be eligible for and would apply for the refund for eligible purchases annually.
- The average cost of building a wheelchair ramp is estimated to be \$1,500. It is also assumed that any other eligible renovations would be similar in cost.
- The current state sales tax rate is 7.0 percent; the average local option sales tax rate is estimated to be 2.5 percent; the effective rate of apportionment to local government pursuant to the state-shared allocation is estimated to be 3.617 percent.

- The proposed legislation also states that no approved refunds will reduce the amount of sales and use tax payable to local governments.
- Therefore, the recurring increase in state expenditures from refunds is estimated to be \$8,612,415 $\{[40,292 \times \$1,500 \times (7\% \text{ state} + 2.5\% \text{ local})] \times 1.5 \text{ years}\}$ in FY20-21 and \$5,741,610 $[40,292 \times \$1,500 \times (7\% \text{ state} + 2.5\% \text{ local})]$ in FY21-22 and subsequent years.
- Based on information provided by the DOR, the proposed legislation cannot be accommodated within existing resources. The DOR will require one Auditor position to review applications and distribute funding for those awarded the sales tax refund.
- It is assumed that this position would be filled before the eligible improvements can be made on January 1, 2020 and that the Auditor position would start work at the beginning of FY20-21.
- The one-time increase in state expenditures associated with the Auditor position is estimated to be \$5,150. The recurring increase in state expenditures associated with the Auditor position is estimated to be \$49,884 (\$34,884 salary + \$12,360 benefits + \$2,600 communications + supplies).
- Therefore, the total increase in state expenditures is estimated to be \$8,667,449 $(\$8,612,415 + \$5,150 + \$49,884)$ in FY20-21 and \$5,815,061 $(\$5,741,610 + \$49,884)$ in FY21-22 and subsequent years.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista Lee Carsner, Executive Director

/abw